

iKids

Kidscreen explores the children's digital entertainment business

Summer 2012

How indie app developers are standing apart from the crowd

Top of the Shop



Grab your partner

To say things are moving fast in the children's digital entertainment business is an understatement. It doesn't seem that long ago when we first heard about viral property The Annoying Orange or even Angry Birds. And now, along with millions of views and downloads, they've got the attention of the entire kids business, from broadcasters to licensing partners and retailers.

It even feels like we just put the inaugural issue of *iKids* to bed and yet here we are introducing our second issue for summer 2012 with plenty to talk about.

As a barometer of the industry focusing on mobile, web and console gaming, we're

watching a young business evolve right before our eyes.

It's a business that's becoming greater than the sum of its interconnecting parts and is focusing increasingly on partnerships to spur growth and establish security.

Many app developers, social networking sites and console-makers are rethinking their models in an ever-crowded kids digital entertainment market by examining how children consume content, how brand partnerships succeed, and how IPs get noticed.

More kid-appropriate networking sites are figuring out ways to work with third parties (see "Social Reach," p. 8) to increase their user bases and engage audiences. And for

console-makers coping with dipping software sales, survival now means offering more than just games (see "The Evolution Will Be Televised," p.11).

With all that's happening, it's encouraging to see industry players collaborating, despite worries about the competition, to grow the business while managing to make sure kids come first.

Cheers,
Jeremy Dickson
Editor, *iKids*



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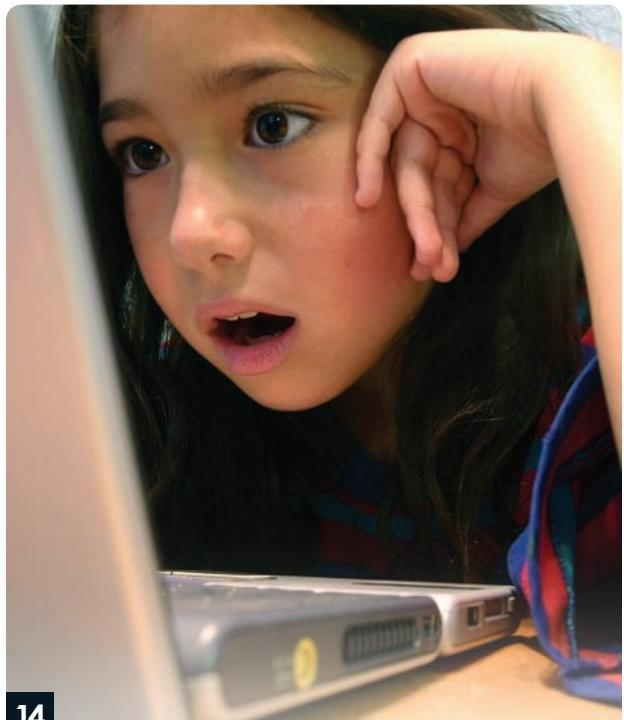
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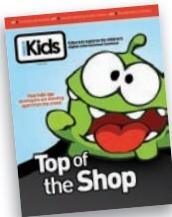


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FEATURE: SO, YOU WANT TO BE THE ANNOYING ORANGE?

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Our summer 2012 cover features everyone's favorite candy-loving monster OmNom, star of Zeptolab's hit app *Cut the Rope*



Connecting the dots

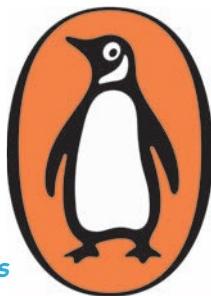
Early 2012 milestones set to make a mark on digital media this year

JANUARY 5

Disney and Comcast sign a deal that will allow subscribers to access more TV content online

FEBRUARY 21

Penguin agrees to produce books and apps based on Activision's *Skylanders Spyro's Adventures*



MARCH 6

Google steps up its game against Apple, Amazon.com and Microsoft by launching digital entertainment hub Google Play



MARCH 12

Netflix Just For Kids lands on Sony's PlayStation 3 in the US



APRIL 25

Japanese social games publishers Gree and DeNA place limits on how much teens can spend on in-game purchases for their titles



JANUARY 18

13 million people participate in a protest against SOPA that saw 50,000 websites blackout

JANUARY 26

The Annoying Orange reaches one billion views on YouTube and earns an online roast

MARCH 2

Apple's App Store registers 25 billion downloads since its inception in 2008



MARCH 7

Apple debuts the new iPad and several Hollywood studios make their content available on iCloud

MARCH 27

Harry Potter e-books make long-awaited debut on Pottermore website



APRIL 30

Angry Birds Space becomes the fastest-growing mobile game ever, with 50 million downloads in 35 days

Apps head to classrooms

With more than 40% of two- to four-year-olds, and more than half of kids five to eight, using mobile devices, according to Common Sense Media, their immersion in digital media continues its rapid pace—at home, in the playground and in classrooms around the US.

But while entertainment-based, arcade-style titles remain the top types of games played frequently on mobile devices by kids ages six to 11 [Nickelodeon Consumer Insights], age-appropriate educational apps aren't nearly as plentiful and exist within a much smaller market.

However, the demand for educational apps from parents and educators is growing. The Joan Ganz Cooney Center's January study *iLearn* found that preschool app sales showed the biggest growth (23%) in the last two years, and more app developers and kids content providers are expanding their educational digital offerings. PBS Kids now has video apps for iOS devices, while Random House Children's Books and Sesame Workshop launched a joint digital publishing program in January. For its part, educational toy designer Leapfrog Enterprises saw its Q1 net sales increase by 81% over 2011, largely based on sales of the growing number of preschool titles available in its app center.

Increased content availability also means more schools are adopting digital learning solutions. To further understand the impact of digital



media in kindergarten to grade eight classrooms, The Joan Ganz Cooney Center released results in May from its first US national teacher survey on games and teaching, entitled *Teacher Attitudes About Digital Games in the Classroom*. The report establishes 70% of teachers agree that using digital games boosts motivation and engagement with content and curriculum, and 60% of these teachers found that games foster more student collaboration and enable them to focus better on specific tasks.

Of note for game developers and brand owners is that the teachers surveyed said the number-one barrier to digital game use in the classroom is their cost (50%), followed by access to tech resources (46%) and the emphasis on standardized tests (38%).

Whether these barriers will ease remains to be seen, but with initiatives like Joan Ganz's latest study and proposed goals put forward by its Digital Age Teacher Preparation Council's 2011 report *Take a Giant Step*, the future for educational apps appears to be looking up. —Jeremy Dickson



AGP's Care Bears are going fully digital

American Greetings gets digital

This year is shaping up to be a big one for Cleveland, Ohio-based children's IP specialist American Greetings Properties (AGP). First, its iconic Care Bears brand is celebrating its 30th anniversary with new TV content, retail promotions and products. Secondly, AGP has put together a new team that will bring the bears, Strawberry Shortcake and its newer IPs into mobile, online and social platforms.

Leading the company's digital revolution is VP of new media Derek Roberto, who joined AGP last September after leaving New York-based prodco Radical Media, where he headed up its music video division. Roberto is aiming to grow the digital consumer base across all AGP properties and expects his digital team will be fully in place this summer. "We have big plans for digital, including mobile app development for all of our kids brands, including Care Bears, Holly Hobbie, Madballs, The WotWots and Strawberry Shortcake," says Roberto.

AGP intends to expand existing digital efforts, which include YouTube channels for its two biggest IPs, Care Bears and Strawberry Shortcake, and an app based on preschool series *The WotWots*, created by New Zealand's Pukeko Pictures in partnership with Richard Taylor's Weta Workshop. (AGP acquired the global licensing and merchandising representation rights to *The WotWots* last June.)

Roberto says AGP is currently negotiating with app developers and e-book publishers on digital extensions while the company preps for this summer's relaunch of CareBears.com.

"For new media, the technology needs to serve the content appropriately and seamlessly. We may find that one IP makes a better game app or another may be better as an interactive e-book, or quick webisodes," explains Roberto.

"We want to focus on the fundamentals of what makes a good IP—character, narrative, storytelling and design."

As Care Bears and Strawberry Shortcake are synonymous with toys, AGP also plans to merge their consumer products programs with new digital initiatives. "We see a lot of really cool synergies between toys and mobile devices. It's a big area that's still young, so we see it as a fun, engaging space to move into," adds Roberto.

—Jeremy Dickson



By Jeremy Dickson

Sometimes getting noticed requires more than showing up for school with pink hair and a punk-rock attitude. Sure you might turn some heads for a week or so, but soon all your friends will look the same and you'll be blowing your allowance on dye removal.

Staying unique over time, appealing to a growing social circle, and balancing substance with style is a tricky thing. And in the world of kids mobile apps, standing out from a crowd that includes nearly a million apps for iOS and Android devices is not all that dissimilar.

We spoke to a number of leading app developers with original or branded IPs (sometimes

Top of the shop

How indie developers of original mobile kids games are finding success in the apps space and licensing world

one in the same) about their success and learned there's more to increasing downloads and daily active user numbers than a catchy name and character design.

These things are crucial, but in a global market where mobile media spend is predicted to grow from US\$121.8 billion in 2011 to US\$138.2 billion by year's end (Strategy Analytics), many app developers looking to get their piece of the pie are re-examining their growth strategies.

THE ANGRY BIRDS EFFECT

Finland's Rovio Entertainment continues to be the poster child for successful brand

promotion in the apps space with its app sensation *Angry Birds*. Chalking up close to 650 million downloads of the game's various versions in 2011, and 50 million downloads of newest title *Angry Birds Space* in its first 35 days on the market, Rovio has set the bar pretty high. The property's related licensing program also helped generate approximately 30% of Rovio's reported revenue of US\$106 million last year.

But while hit apps like *Angry Birds* and Disney Mobile's *Where's My Water?* are breathing rarified air, the space has become increasingly lucrative for smaller indie developers including Moscow's Zeptolab (*Cut the Rope*), New York's Lima Sky (*Doodle Jump*) and Washington, DC's Imanji Studios (*Temple Run*).

INDIE ORIGINALS

"There was a time when large interactive companies dominated. But now the market has changed, allowing a smaller indie company like Imanji and its three-person team, for example, to create a top-selling app as it has with its treasure-hunting, freemium adventure game *Temple Run*," says Larry Seidman, co-founder and CEO of San Anselmo, California-based Dimensional Branding Group.

Seidman—whose company reps hit apps including *Skee-Ball*, the number-one branded iOS game app of all time, and *Temple Run*—adds that original IPs are now dominating the top spots on mobile game charts the world over, especially when it comes to kids games.

"The brands in the kids app world have not caught up to original IPs. Some will, but big kids brands don't guarantee app success."

Seidman says one reason is licensed apps come with "fan expectations" at launch, whereas new IPs don't. In other words, out of



Striking iconography has helped Imanji's *Temple Run* resonate with kid players, and now toyco Spin Master is bringing the app to traditional board games

the gate, licensed apps have to cater to much bigger expectations of quality and innovation—they also have a lot farther to fall if they don't measure up.

"For success, apps first have to be great from a customer point of view. Two, they need to have very immersive gameplay to build an audience. And three, they can't be perceived to be copycat apps," says Seidman.

A unique and distinguishing characteristic, simple but high-quality gameplay, a great original character and storyline, and timely updates are other key factors that can help increase downloads.

While app consumers seem to be favoring original IPs, Zinkia's latest app is based on its flagship preschool property, Pocoyo, and uses voice and touch tech to help it stand apart from the crowd at the App Store



Seidman attributes much of *Temple Run's* success (60 million downloads on iOS and Android devices combined since its debut last August) to the fact that it has an intriguing name, iconography and innovative gameplay—all things that give apps the potential to evolve into bigger brands across consumer product categories in the entertainment business.

"It doesn't mean licensing deals have to happen right away, but a broader plan should somehow be within the DNA of an IP initially because it's very hard to embed merchandising after the fact."

It remains to be seen how *Temple Run* will manage its mileage, but Imanji has already jumped into the licensing fray, partnering

with Spin Master Games to bring *Temple Run* traditional trading cards and board games to mass-market retailers in North America this fall, with a global rollout planned for 2013.

Besides licensing, Imanji has been driving consumer awareness for the game through social media platforms Facebook and Twitter, TV appearances, proactive PR, new digital launches (Android version) and marketing partnerships.

While opinions on game and brand strategy vary from company to company, Semyon Voinov, co-founder and creative director of Zeptolab, says developers shouldn't spend too much time in the initial game creation stages thinking about potential licensing opportunities, and should first focus on making their games the best they can possibly be.

IT'S IN THE ANGLE

"Developers should make a great game first and market it well and then start to look into expansion if it's successful," Voinov says.

Cut the Rope has done well (a top-10 bestseller with more than 100 million downloads for both iOS and Android devices since launching in October 2010) because it appeals to a wide audience from kids to adults. The gameplay is also simple and affordable at US\$0.99, and you can create an emotional attachment to its main character, OmNom.

And if a game can entice a player quickly, it's much more likely to take off.

"If you buy an app for a dollar and it doesn't get you hooked within 10 seconds, it's not good," contends Voinov.

Zeptolab drives consumers to the game by maintaining a Facebook, Twitter and online presence, as well as engaging in more traditional marketing and PR campaigns across digital, visual and print media.

Like *Temple Run*, *Cut the Rope* has also entered the licensing realm. Board games from Hasbro and toys and games from Mattel are set to reach US retailers this fall.

Looking ahead, Voinov says Zeptolab will continue to watch the market from a business and players perspective, focus on updating and improving its current games, and look to create new games based on or related to the *Cut the Rope* brand.

SIMPLICITY WORKS

Another indie developer taking a similar path is Lima Sky. Its hit US\$0.99 app *Doodle Jump* lets players bounce main character Doodle the Doodler up a series of platforms by tilting their

phone to avoid monsters, UFOs and black holes.

Launched in 2009, *Doodle Jump* is now the third-most-downloaded paid app (Apple Reports, March 2012). The game has been downloaded 40 million times, and Fremantle-Media Enterprises (FME) recently acquired the IP's global licensing rights. Upcoming *Doodle Jump*-based products include a Microsoft Kinect game and a fashion line.

"*Doodle Jump* has been popular because of its simple but addictive gameplay that kids and adults can understand, and we've focused on producing free updates and new content," says Lima Sky's co-founder Igor Pusenjak.

In addition, the game got a boost through word-of-mouth publicity generated by unsolicited endorsements from high-profile celebrities like talk show host Jimmy Fallon and pop star Lady Gaga. It's also been featured on hit US TV series *The Big Bang Theory*.

Part of *Doodle Jump's* innovation lies in its full exploitation of the iPhone's tilting capabilities, which was uncommon when it first launched. Newer kids apps are now looking to capitalize on the next technological leap to reel in consumers.

INNOVATION RULES

"Apps are becoming more intuitive and offering more depth that requires kids to be actively engaged versus TV and other passive media," says US-based technology analyst Scott Steinberg.

To that end, Toronto, Canada-based XMG Studio and its team of 60 is preparing to launch a new augmented reality, location-based app in June. Based on Sony's classic Ghostbusters property, the new game from the indie developer lets kids use their smartphone camera to find and trap ghosts in real-world environments.

XMG president Ray Sharma says the studio was able to partner with a bigger brand like Ghostbusters by leveraging its technical awards, rankings and well-executed games.

Taking iOS tech a step further is *Talking Pocoyo* from Madrid, Spain-based media company, Zinkia Entertainment. The preschool app features a 3D animated Pocoyo that reacts to voice commands.

"Innovation is happening at light speed and we're certainly seeing more connected apps that allow kids to use location-sharing, augmented reality and socialization tools," adds Steinberg. "But innovation should be applied where it makes sense. There has to be value especially if it's for a kid." □

wellPlayed_ Johnny Test rolls into the app space

By Gary Rusak

Bringing innovation to an increasingly crowded app market isn't easy, but that is exactly what Canadian broadcaster Teletoon and digital partner Kolody have done with the *Roller Johnny* app, released last December.

"We wanted our first foray into the app world to be unconventional and new, and reflect the attributes of the character," says Gavin Friesen, director of interactive at Teletoon.

The kidcaster recruited Toronto, Canada-based Kolody to come up with "something new," and essentially let the developer's imagination do the rest to bring the successful *Johnny Test* animated series to the mobile platform.

"I had seen this TV spot about these blocks that you could put together and they would interact. When we were brainstorming I thought maybe we could put two phones together to see if we could recreate that effect," says Kolody partner Colin Turnbull.

Within about 10 minutes of brainstorming, Kolody's team of designers had devised the technology needed to create a new gaming

space just by placing two iPhones side-by-side.

"They figured out how to do it with bluetooth technology for two players, and if you have more than two iPhones, you create a little wireless network," he says. "Basically, you put the two or three iPhones together, and the screens become one."

The synching of the iPhones is as simple as clicking a button, and the app was designed to reach the series' core audience of boys six to 11.

With the help of Teletoon, the technological breakthrough—the first of its kind to create a new screen landscape for an app—was married with an episode of *Johnny Test* called "Roller Johnny." The ep featured the titular character racing his buddy Dukey. The app then allowed two or three players to put their iPhones together and race each other using Johnny and Dukey to navigate the course. The virtual pair can also jump seamlessly from screen to screen, giving the app the wow factor for which Teletoon had been searching.

"When that idea was initially pitched we thought it was cool," says Friesen. "They had to



Canadian broadcaster Teletoon's unique app *Roller Johnny* takes a two-screen, one-game approach

go back and make sure it worked. And they did. We are very happy with it."

The app has been downloaded around 3,000 times in the last four months, retailing for US\$1.99 on the Apple App Store. A free upgrade is being readied for the summer that will include new levels of game play to keep users engaged.

"We consider it a success," says Friesen. "It has given us some key learnings that we will be able to apply to future projects." □

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Children's and YA e-book sales increased

475%

from 2011 to 2012

(Association of American Publishers)

37 million

Americans, or 36% of all mobile gamers (ages 10-65 with internet access), are paying players
[Newzoo]

And

40%

of Americans ages two and up who play freemium games make in-app purchases
(The NPD Group)

75%

of teens actively text, on average sending and receiving 60 texts per day

(Pew Internet & American Life Project)



Photo: jfless



By Kate Calder

Facebook revealed stats in March confirming the worst kept secret in the kids space. The social networking giant reported it routinely bans 20,000 children under the required age of 13 per day and yet had more than 7.5 million members in that age bracket. Put simply, kids are bent on being part of the social network that allows them to customize, message and share their lives with their friends, and advertisers want to reach them where they're virtually hanging out. Until recently, Facebook was pretty much the only place for brands to reach kid consumers on a social networking platform. But the under-13 restriction doesn't exactly imbue children's brands that are active on Facebook with the best public perception. However, a new crop of age-appropriate social networking sites are attracting a growing under-13 user base and are also becoming viable advertising platforms ripe for brand partnerships.

We spoke with several kid-targeted sites about how they're working with third parties to create campaigns that go beyond traditional advertising, and found that building a user base often goes hand-in-hand with incorporating compelling brand experiences.

BRINGING BRANDS INTO THE LOOP

Everloop, which launched in February 2011, is one site that gives its users the kind of social sharing that Facebook offers, but operates under strict kid-safety measures.

Members of the site create their own customized "loops" and join other parent-approved loops that feature activities of interest like sports, crafts and fan groups. Practical jokes called "goobs" are available for purchase by kids with Evercredits, which can be earned through participating on the site or bought by parents via credit card. As Everloop grows its numbers, it's simultaneously inking sponsorship deals with brands keen on reaching kids 13 and under. Mattel, for example, bought into



Social reach

Kid-appropriate networking sites incorporate brand experiences into online play and sharing

the site last fall with a Monster High loop that offers up show webisodes, as well as other content like branded stickers, polls and exclusive Monster High information.

"We give brands the opportunity to really express themselves and create activities based on brands and how kids want to engage with them," says Sandy Barger, CMO of Everloop.

Other brand partnerships so far include a deal with pubco Simon & Schuster, struck in March, that allows Everloop members to be part of an interactive book club where they have exclusive access to free middle-grade books each month through a web-enabled e-reader. And Miniclip.com, a game aggregation site, has extended its distribution using Everloop's games channel, where it will debut many of its most popular titles.

JOINING FORCES

Girls fashion site Stardoll and boy-skewing gaming site Roblox, which have each amassed impressive traffic specs, recently teamed up to generate revenue from third-party brands eager to reach their engaged user bases. Roblox appointed Stardoll as its exclusive global commercial advertising representative in March.

Since its launch in 2006, Sweden's Stardoll now boasts 170 million users worldwide, with localized sites in 33 different languages and a 20-minute-plus average of time spent on the site per visit. Roblox, for its part, is a user-generated gaming site that fields seven million monthly visitors, hosts more than five million user-created games produced in 2011 alone, and boasts a billion page views a month.



Virtual world Stardoll and Mattel took their online promo and translated it into a real-world line of eight Stardoll by Barbie fashion dolls last year

Roblox has had some experience integrating immersive brand experiences on the site, evidenced by its recent promotion for the launch of the *Three Stooges* movie in April. Roblox worked with Twentieth Century Fox to create digital items like hair styles and clothing that could be won by playing a customized Three Stooges gaming experience called *Welcome to Stoogeville*.

The new partnership marks the beginning of a more aggressive strategy. "We've never had a sales force pounding the pavement, so it was a great way for us to complete our boys reach with their girls reach," says Roblox CEO David Baszucki.

Stardoll is the one with the track record of translating virtual brand promotions into retail sales. Last year the site partnered with Mattel to launch Stardoll by Barbie, which produced a line of eight new dolls inspired by Stardoll avatars for the toy aisle. And for back-to-school 2011, it worked with JCPenney to make Stardoll virtual fashion collections available as real-world goods exclusively at the US department store.



User-generated game site Roblox's seven million monthly visitors helped attract Hollywood studio Fox for a *Three Stooges* promo in April



"Talking to companies about Stardoll and Roblox together is a much more compelling proposition for those brands because combined we have more than twice the reach than we did before," says Stardoll GM Chris Seth. He adds that Stardoll is looking to build out its advertising business globally with similar immersive campaigns. At press time, the company was in talks with retailers in other markets keen on creating programs similar to the JCPenney partnership, as well as other entertainment brands worldwide that want to bring their characters to life on Stardoll.

SYMBIOTIC RELATIONSHIPS

And then there's L.A.-based kidsocial.com, which launched at New York Toy Fair in February. It's taken third-party integration one step further. In fact, it depends on brand participation to provide content that helps build membership and drive traffic.

Michael Devine, the site's co-founder, explains that kidsocial's content comes from both entertainment and toy brands (25 to date, including Mr. Bean, Sea Pals and Hearts for Hearts) that create their own microsites and activities on the site. Here's how it works: Brands establish click-through buttons on their own websites that take users to kidsocial. By clicking on a Zoobies banner ad, for example, kids arrive at a Zoobies-branded landing page where they register for kidsocial (with parental approval). Once Zoobies brings that user in, the brand gets

a cut of any and all virtual purchase he or she makes on the site.

"If you're going to Club Penguin or any brand-specific environment, there is a shelf life," says Devine. "When a user decides they've done everything and they leave that site, the cost to re-acquire that user is very expensive." Kidsocial truly enables kids to hop between different brands without ever leaving the main site. □

KEEPING IT KID FRIENDLY

Offering a safe place for kids under 13 to visit—and being a legit platform for advertisers—means ensuring users (and their parents) are protected against bullying and online predators.

All sites we spoke with adhere to US-mandated COPPA regulations and have registration systems set up for age verification through parental approval. Kidsocial, for example, gets parent validation by charging a one-cent fee to credit cards, which comes with a site account. It also has no search function for users, so kids can only invite people they know in the real world—via email, Twitter code or in person—to become their friends on kidsocial. Additionally, sites like Roblox and Everloop have technology and full-time moderators in place to suss out bad language, racy images and questionable behavior during on-site chats. Everloop's new SMS feature EverText also uses real-time moderation to block bad language and inappropriate content.

wellPlayed_Pioneering e-commerce for kids

By Jeremy Dickson

As the first secure COPPA-compliant mechanism that allows children under 18 to initiate online purchases with full parental approval without a credit card in-hand, Philadelphia, Pennsylvania-based tech company Virtual Piggy is making a statement in the global online purchasing market for youth—and gaining attention from a growing number of merchants.

Considering 23% of children admit to covertly using their parents' credit cards to shop online for games, music and tickets (2011 Norton Online Family Report), it was only a matter of time before someone developed a safe system that could curb friendly fraud.

"For Virtual Piggy, we looked at how buying products is different for today's kids, who have grown up with the internet. Kids under 13 are used to touchscreens on mobile or tablet devices and navigating websites, but they have no way to buy anything online unless they have their parents' credit card, which can meet

with trouble," says Virtual Piggy's CEO, Dr. Jo Webber, who founded the company in 2011.

Virtual Piggy allows parents to first sign up for a free account that can be linked to a credit card or PayPal account, and then they can set up a profile with a user name and password for their child. Once a kid is ready to make an online purchase from a participating merchant's website, he or she then selects the Virtual Piggy icon to checkout. At this point, parents are notified either by email or SMS text message [via Virtual Piggy's free mobile app for iOS devices] and they can choose to approve or veto the purchase based on the conditions specified in the child's profile. [Certain websites can be approved for spending, and a monthly allowance can be instituted.] If the purchase meets the requirements, the transaction proceeds to the payment processor.

Beyond the security features, Virtual Piggy also features a parental dashboard that divides a child's spending into simple pie charts and graphs that can help kids learn



how to manage their money," adds Webber.

Currently, 20 merchants are signed up to the service, including US construction toy company K'NEX, New York-based kids educational multimedia company Super Sprowtz, and tween/teen targeted social entertainment site Fanlala.

With the help of PR agency Bender Helper Impact, Virtual Piggy is planning a major consumer launch for early June. "By then we'll have enough merchants on-board to focus on driving sign-up of individual consumer accounts," says Webber. "We'll also continue developing relationships with gaming, toy, action sport, consumer electronics and entertainment merchants, as well as retailers of youth products and educational organizations." ☐

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So far in 2012, online video consumption has dropped

10%

while mobile app video consumption has risen 52%

[Flurry Analytics]

Nickelodeon ratings drop

6%

among Netflix streamers for Q1 2012 versus 2011
[Bernstein Research]

100 million

TVs will be internet-connected in North America and Western Europe by 2016
(The NPD Group)



US tween girls spend one hour and 18 minutes per month playing online games, up

38 minutes

over a year ago
[Spil Games]



The evolution will be televised

By Brendan Christie

Sure, it may seem like the worst of times for game console manufacturers. Numbers from industry researcher The NPD Group saw video game software sales take a 42% year-over-year plunge in April, while purchases of consoles fell by 32% in the same period. In light of these dire stats, you could be forgiven for thinking you're hearing the opening strains of the "Death March" playing the next time Nintendo or Sony announce their latest sales figures.

But anyone who expects consoles to go quietly is in for a wake-up call.

Despite mounting pressure from mobile, tablet and increasingly web-enabled televisions, consoles are well on their way to becoming something more.

No longer just gaming platforms, they have adapted to become digital content delivery vehicles all on their own.

Take two recent deals as evidence.

In March, Netflix US made its Just For Kids section (targeting kids 12 and under) available on Sony's PlayStation 3, joining distribution on the Nintendo Wii and Apple TV and giving kids more access to characters like Kick Buttowski, Bob the Builder, Thomas the Tank Engine and Curious George. This new service adds to a Netflix presence already established on DS3 and Xbox, as well as Macs and PCs.

In the UK, the BBC unleashed its VOD iPlayer service on Microsoft's Xbox platform that same month, giving viewers even broader free access to programming seven days after its broadcast

Consoles aren't just for gamers anymore. In fact, that little box attached to the TV has recently developed a voracious appetite for video that may be changing the way kids consume content.

Netflix's Just for Kids is now available via PlayStation 3 and Nintendo Wii, and will be hitting Xbox Live later this year



date on the mother corp. Additionally, in a cool tech twist, it means Xbox users in possession of the controller-free Kinect add-on can interact with the Beeb's iPlayer using just hand gestures and their voices.

So, just what the heck is going on here? Arguably, it's nothing more than the evolution of content consumption as we know it.

"Around 10 or 12 years ago, Bill Gates said he wanted the Xbox to control the living room," recalls Martin Rae, president of the Academy of Interactive Arts & Sciences in California. "I think consoles, to a degree, are doing that now—especially for kids," he says.

"We're going to see more and more content pushed through consoles, and I think it's a good thing for kids. They want to control their media

experience through things they enjoy, and they enjoy playing video games."

But will this new norm help stem the tide that's pulling consumers away from buying physical game cartridges and consoles? Frankly, it's hard to say at this point, but NPD Group industry analyst Anita Frazier says it certainly might be a way for console manufacturers and game publishers to build inroads with audiences.

"To the extent that console-makers are successful in converting consumers to thinking of consoles as core entertainment hubs, as opposed to strictly gaming devices, it does help cement that relationship with the consumer, and extend the relationship to new consumers who might not be traditional gamers."



TWONKY STRAPS ON THE TOON GOGGLES

Web-based channel Toon Goggles is leveraging the power of tablets to get onto TVs. So, is mobile the better bet? It might not matter in the long run.

L.A.'s animation web channel Toon Goggles recently inked a licensing deal with fellow California-based software developer PacketVideo that will allow viewers to access free, kid-friendly programming through iPads and Android devices on any internet-connected TV via a video streaming app called the Twonky Beam Browser.

The new second-screen experience requires no cables, and viewers can use their tablets as remote controls for their TVs.

"It's a small step to a much bigger move," reveals Stephen Hodge, EVP of Toon Goggles. "We really see IPTV being the future of how content will be viewed on secondary- and primary-screen devices...Our ultimate goal is to be on as many screens as possible—any screen that is capable of displaying video, we'd like to see a Toon Goggles icon there."

Toon Goggles is looking at a freemium model, whereby some content is free while the rest is made available through subscription.

So, with all the alternatives on the market, why tablet? "They are more accessible, and mobile, and I like the fact that schools are adopting the technology to help students learn," observes Hodge. "It just seems like a better step towards the future. That's not to say that we're not going to move into consoles, but I feel like the tablet space made more sense as a first step for us."

In fact, Hodge doesn't see consoles and tablets as competitors. He sees them converging into the same space, pointing to examples like the Sony Xperia—the Android phone that plays PlayStation games and has online access to a PlayStation store—or the new iPad, which has better resolution than any TV or tablet on the market. "Ultimately, I feel there is going to be more of a marriage between the two." BC

The numbers offer evidence of that evolving relationship, at least when it comes to the traditional gamer crowd. A late 2011 Nielsen study looking at console usage, shows that while time spent on gaming (users 13+) remained virtually static from the year before, there had been significant growth in VOD and video streaming usage year-over-year. Use of the Xbox as a video player grew from 10% in 2010 to 14% in 2011, PS3 usage climbed from 9% to 15%, and the Wii jumped from 20% to 33%.

As further evidence, the same 2011 *Nielsen Cross Platform Report* revealed gaming consoles were found in 45% of US TV homes, a 3% lift from 2010. And in the last three months of 2011, Americans spent 30% more time on consoles compared to the same period a year prior.

It's certainly not a trend being missed by console-makers. Notably this September, Microsoft will add Kinect Sesame Street TV and Kinect Nat Geo TV to its offerings, allowing kids to fully interact with programming (see "Well Played," p. 13).

Over at Netflix, the content provider is also seeing consoles as an ideal delivery platform. Netflix's goal is to be what Joris Evers, director of corporate communications, terms device-agnostic, and the company appears to be on target. Nielsen's report also revealed that more than half of Netflix content was being streamed through consoles—a number that is likely to increase.

"It's our goal to be on every screen relevant to Netflix members," says Evers.

Look for Netflix to expand its presence, bringing Just For Kids to the Xbox, as well as Android and Apple tablets, later this year.

With so many platforms to consider, the obvious challenge for content producers now is how to make money while feeding the many mouths of the digital beast.

The Academy's Rae thinks it's a manageable challenge. He points out there is already ample evidence that a very small team of creatives can produce mega-hits on digital platforms. And, he adds, big players like Nintendo sit atop some of the greatest existing libraries of characters and content, which are primed for exploitation on other platforms.

"The challenge in the future will be the same challenge it was in the past—to create compelling content that is fun and interesting and enjoyable. No matter what delivery system you put it out on, people will consume it," he says. "People will just consume more content, because they have that much more opportunity to." □

wellPlayed_TV gets interactive with Microsoft

By Jeremy Dickson

Since Sesame Workshop and Warner Bros. Interactive Entertainment launched their groundbreaking *Sesame Street: Once Upon a Monster* game for the Xbox 360 Kinect platform last October, the future of interactive entertainment for kids and their parents continues to evolve.

With its experiential dual-play and voice-recognition tools, the game set the tone for Microsoft's next interactive breakthrough—Kinect Sesame Street TV and National Geographic TV.

Coinciding with the back-to-school season, both titles are expected to launch on Xbox this September and aim to get kids and families moving, talking, laughing, thinking and interacting in their living rooms through intuitive motion- and voice-recognition controls.

The TV service, which Microsoft created with Sesame Workshop and Soho Productions, is expected to be made available via à la carte selection (single eps or a bundle) through Xbox Live's digitally connected community. (The content will also be available at retail in disk form.)



Microsoft's Sesame Street TV for Kinect promises no less than full real-time interaction between kids and their fave Muppets

When kids watch Sesame Street TV they can interact with popular characters appearing in video scenes, including The Count, Elmo and Grover. The twist is that the characters on-screen will respond according to kids' reactions. Kid viewers can also choose to not interact and let content play out as a regular television episode—no interruptions, no talking back.

"If a child does choose to interact with Grover who accidentally drops some coconuts, for example, Grover can prompt the child to throw the coconuts back to him and he'll react to the way they are

thrown," explains Dave McCarthy, GM for kids and lifestyle entertainment at Microsoft.

Kids can also count objects, identify shapes, go on treasure hunts, receive helpful hints and see themselves on-screen, interacting virtually with Elmo and the gang.

For Kinect Nat Geo TV, the episodes teach kids about the natural environment of animals, and kids can fully immerse themselves in the experience using the same motion, virtual world and voice features as Sesame Street TV. □

bits+bytes

US retail sales of video games fell by

42%

in April

(The NPD Group)



Consoles can be found in

45%

of homes with TV, an increase of 3% over last year

(Nielsen)

And teens use a game console for eight minutes a night, on average, during primetime

more than twice as much

as the general TV population

(Nielsen)

Activision sold more than

30 million

Skylanders toys by March 31, 2012

(Activision)

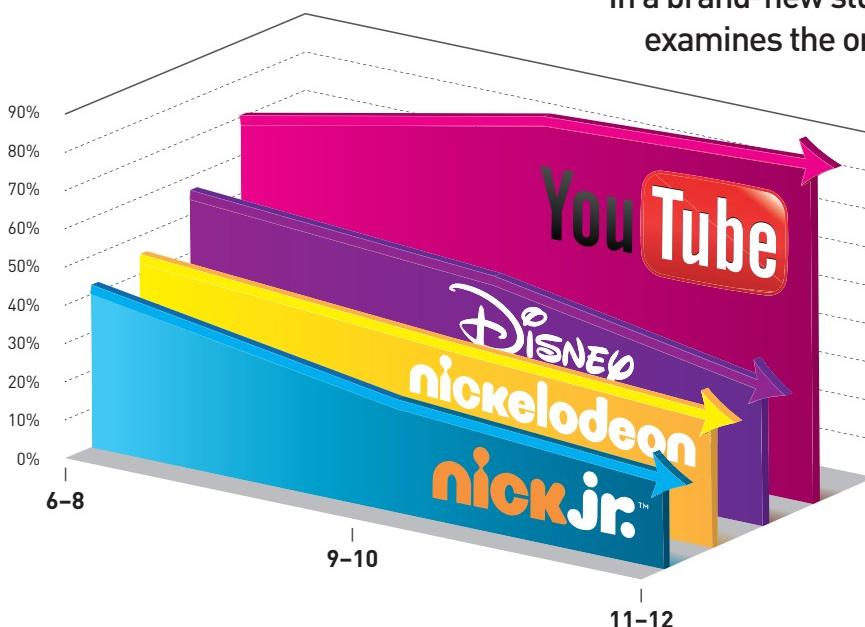




So, you want to be The Annoying Orange?

By Peter Robinson

In a brand-new study, digital entertainment specialist Dubit examines the online video consumption habits of US kids ages six to 12 and the impact of YouTube



YouTube's share of online video views



hat does it take to become the next *Annoying Orange*? That's the question we've been asking at Dubit—a UK-based kids digital entertainment specialist—as online video becomes an increasingly dominant force in children's entertainment.

We're often asked by IP owners what kids are doing online and what sites they are visiting. More than ever before, the answer is viewing video—and on internet giant YouTube, in particular. Even the average six- to eight-year-old is spending one hour and six minutes per week watching online video.

For children, watching video online is as normal and frequent an act as watching cable TV is for their parents. Nearly 80% of 11- to 12-year-olds define themselves as regular

viewers of online video, which is equal to those who say they regularly play games on the web (and we all know how much time kids dedicate to playing online). But it's a crowded market, with one hour of video uploaded online every minute. For every video viewed—including all those multi-million-view viral hits—there are millions that will never have more than a few people watching.

So what creates a hit in this landscape? Recently the team at Dubit conducted research focused on online video with 1,500 US and Canadian children six to 12 years of age. The purpose was to understand the types of content children like, what defines a YouTube success, and how children find and share content—questions whose answers are essential to finding the next big thing in kids content.

WHAT AND WHERE

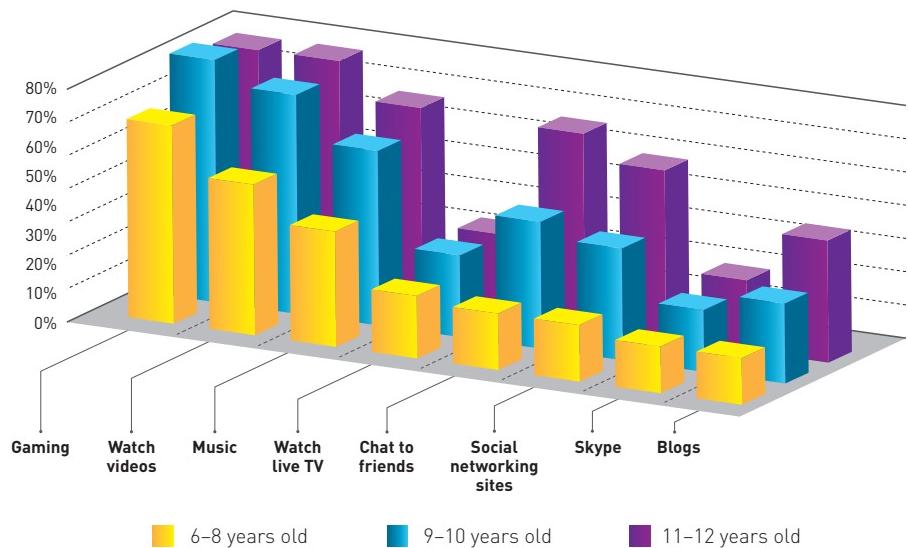
Gaming dominates internet usage by kids, even at the youngest end of the spectrum (see "Breaking down internet usage," right). However, online video isn't far behind. At 11 to 12 years of age, 72% of children watch online video every day, up from 61% of the nines to 10s, and 41% of six- to eight-year-olds. Still, close to half of six to eights are watching video online daily.

YouTube's slice of this online video pie is huge (see "YouTube's share of online video views," opposite). In fact, if a child is watching video online then it's a safe bet they're doing it via YouTube. Even at the age of six, 80% of children are watching YouTube, compared to 55% who consume video content through Disney.com, YouTube's closest competitor in the kids space.

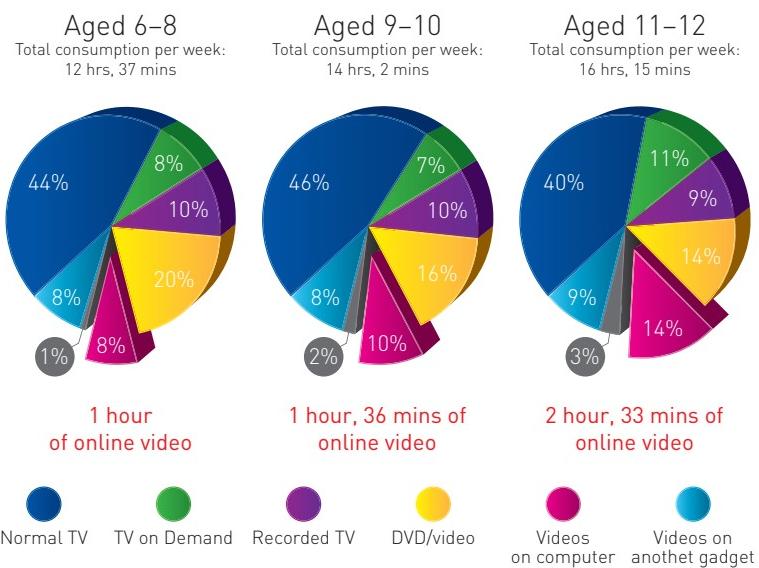
Google's video service easily beats the online platforms belonging to seasoned kids broadcasters like Nick Jr., Nickelodeon and Disney, which notably partnered with Google on a branded YouTube channel this year. It turns out that the child-focused destinations all lose viewers in the older kids demos, while YouTube goes from strength to strength. (In metaphorical terms, YouTube is the Wild West to the walled gardens of kids entertainment providers' websites.)

The good news for the established media networks, however, is that children's overall video consumption grows along with that of online video viewing (see "How kids consume video," bottom right). Sure, children watch an increasing amount of video on their computers as they age (up from 8% between six and eight years of age, to 14% before they reach

Breaking down internet usage



How kids consume video



their teens) and the use of "normal TV" drops from 44% to 40%, but these slices are coming from much larger pies. The simple fact is that kids' hunger for entertainment does not dissipate as they age.

KIDS AS INNOVATORS

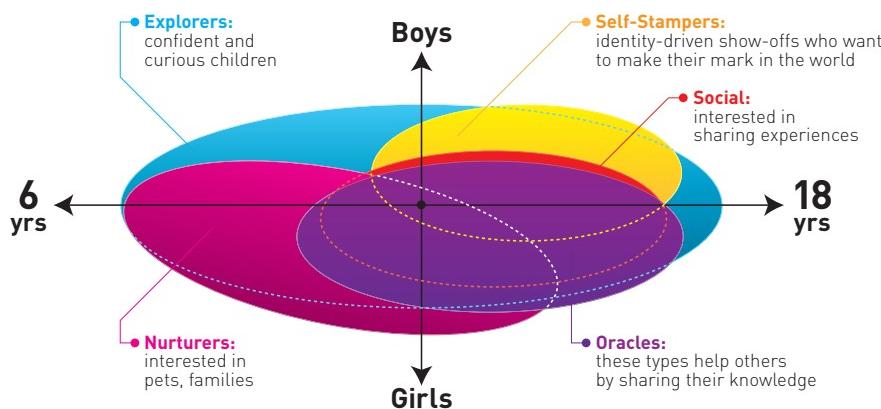
In order to find out what drives YouTube's viewership, we focused our attention on the early kid adopters and innovators using the service. In our experience researching children's motivations, it's these groups that are most

likely to reveal underlying trends for what's hot and what's not. This is where true insight can be gained into what goes into the formation of an internet phenomenon. So to identify these extremes—these innovators—we developed an engagement scale that considered behavior, attitudes and confidence in consuming, creating and discussing online video. The most comfortable and savvy kids were then recruited to participate in online virtual focus groups to tell us what we didn't already know. The results formed the core of our study.



What's still hot on YouTube with older kids? How-to videos for sprawling online game *Minecraft* and, yep, The Biebs.

Dubit Archetypes



WHAT YOUTUBE DOES BETTER THAN TV

So what did they say? What's the appeal of YouTube? First we need to look at what YouTube does better than TV. Drawing from our sample, a number of YouTube's advantages become evident. As one child said, "I can find videos and music I can't find in other places, and it is easy to find things you're looking for." Another commented that she liked being able to share content with her grandmother. These are just two examples, but generally children are flocking to YouTube for its diversity, content organization and social elements. Children also like the ability to tune into niche content, the amateur nature of most videos, its ease of use, the helpful videos, and the fact the audience can also be content producers. Let's look a bit closer at their motivations.

ARCHETYPES

We can explain why kids behave as they do (online and offline) through our Dubit Archetypes (see "Dubit Archetypes," above), and this helps us understand why YouTube and online video are so popular. The archetypes define media consumers by their motivations for consumption. The typology was derived

from years of studying young people and how they engage with media.

Here's a rundown of some of the most notable archetypes pertaining to this study:
Explorers The largest group, and most influential motivator, is comprised mostly of boys. They are more likely to come to YouTube wanting to discover content rather than have it presented to them. It's the group whose members will click from one series to another, looking for more.

Nurturers While the desire to nurture is also expressed by Oracles (wanting to help), this second-largest archetype is broader and includes those drawn to "cute" videos of pets and babies and other videos that appeal to their desire to care.

Oracles Similar in size to Nurturers, this group tends to be made up of slightly older children, either boys or girls. Oracles like to help others by displaying their knowledge—this is the group producing myriad videos that dole out advice on how to play *Minecraft*.

Self-Stampers This archetype will also produce *Minecraft* videos (there's a lot of *Minecraft* on YouTube), but their motivation is to show off. This mostly male archetype is also

uploading skateboarding stunt clips and other videos that define who they are.

Social Unsurprisingly this more mature demographic is most interested in sharing their experiences. As well as sharing content, they want to use YouTube to share their lives. These are the kids uploading video blogs.

By understanding the archetypes, you can begin to understand why children are viewing what they are, and how it might benefit your business. For instance, it's no wonder that publishers making video games aimed at teenage boys (*Halo*, *Madden*, *Call of Duty*) are providing video-creation tools to players whose footage is spliced into highlight reels that are then shared with other gamers on YouTube.

ARCHETYPES DRIVING THE CONTENT

So far we've learned why children enjoy YouTube, but what do they enjoy on it? To answer this we began by asking children what their favorite videos are. While not a definitive list, it should come as little surprise that music and animals come out on top. Is it any wonder then that the video entitled *Baby Monkey (Going Backwards on a Pig)* has nearly 14 million views?

Gaming also takes a prominent position, followed by pop stars and celebrities like Selena Gomez, Lady GaGa and YouTube sensation Justin Bieber.

We collated a mass of video content based on our existing research. The content was then organized across a matrix. Along the X-axis was a range from professional to user-generated content, at the bottom of the Y-axis was informative content, and entertainment content sat at the top.

Combining this data created hot spots around videos that could be categorized on the professional side as music, video games, and comedy. On the user-generated side, gaming videos appeared again, along with videos classified as funny. We asked the kids to define the categories and combined their answers with our own knowledge.

THE ESSENCE OF A GOOD VIDEO

When asked what made a good video, the children produced some expected answers, which enforced what we knew already from our study of archetypes. These included remarks about the videos being funny, entertaining or cute (perfect for Nurturers). However, kids also appreciated "genuine" videos, with one of YouTube's most appealing features being its abundance of amateur productions, often favored by Explorers.

The challenge for creators is that children still want genuine characters depicting random or unexpected events. While this is relatively simple to achieve in a 20-minute cartoon, it's much harder to execute in a three-minute YouTube video.

THE ESSENCE OF A GREAT VIDEO

Children require videos to be easily searchable and shareable—being able to find video is very important to children, especially older kids who align with the Social archetype (see “How kids hear about videos,” top right). While most adults can easily share videos over social networks and email, young children aren't able to do this; instead they share in real life. For children, the playground is the equivalent of a Facebook wall to their parents. It's only when they reach 11 and 12 years of age that kids start finding videos through their friends online.

For kids, the most popular method for sharing content was friend-to-friend the following day (see “How kids share videos,” bottom right). Generally young children lack the developmental tools to share links online. This changes completely when children become teenagers.

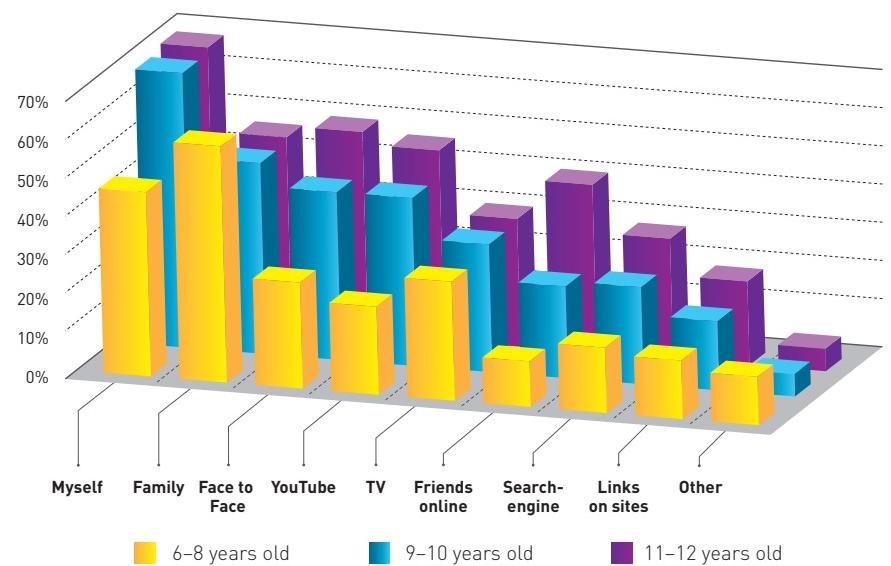
To make video easy to find and share, the content needs to be well-labeled and distinguishable from similar content. Video names also need to be easy to spell and memorize—*Annoying Orange* and *Charley Bit My Finger*, for example, manage to tick both of these boxes.

Children do, however, appreciate linked content and organized channels. The chaotic nature of YouTube is appealing, but once children find what they like, they enjoy being able to find similar content or other episodes in a series. This is especially true for boys, as per the Explorer archetype. It also explains why YouTube's recent redesign, which focuses on channels, proved popular with our sample—a full 40% feel that it improved the site.

Of course, many children discover videos by themselves using the YouTube homepage, but only 62% start their sessions using the search box. In fact, 20% begin with videos recommended via their subscriptions, 16% focus on what's on their chosen channels, another 16% head for the browse link, and 15% begin by checking out the recommended videos that sit on the right-hand side of the homepage. The remaining viewers use either the TV shows or movies links.

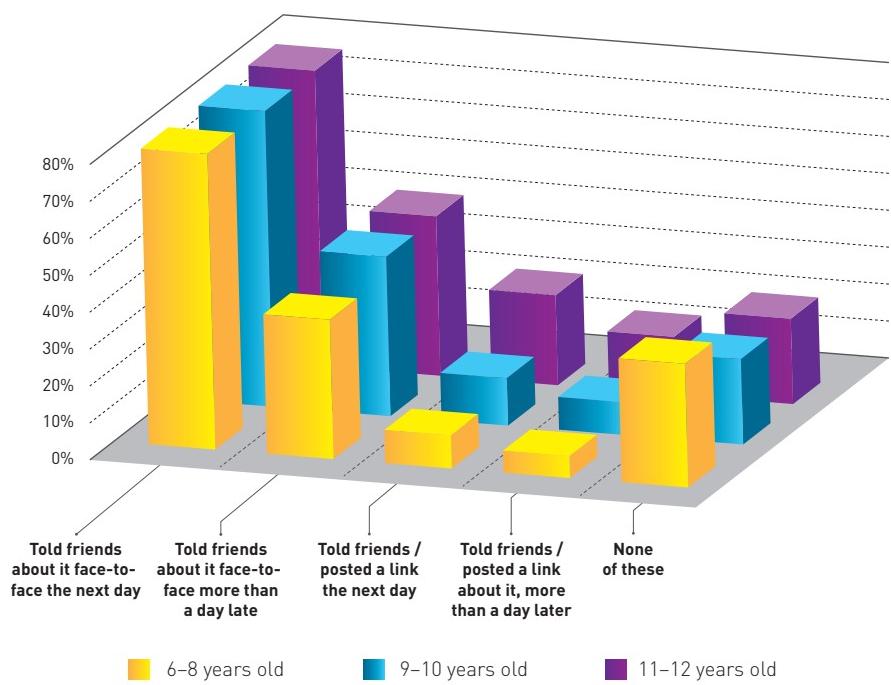
This search behavior opens up an opportunity for producers using YouTube to attract viewers with content for which kids didn't come looking.

How kids hear about videos

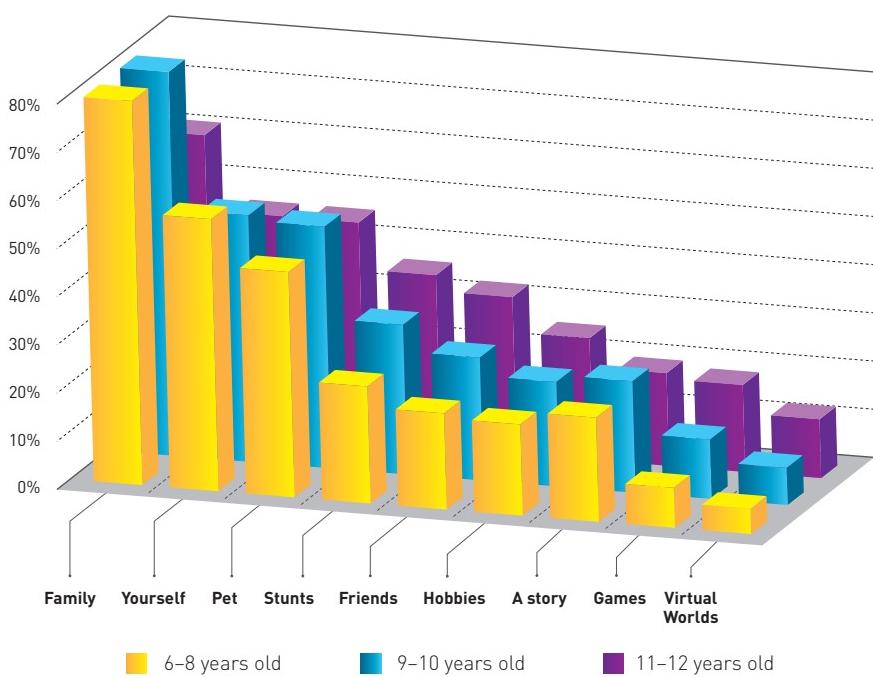


YouTube sensations *Annoying Orange* and *Charley Bit My Finger* benefit from having kid-friendly, easily spelled names

How kids share videos



What do kids upload?



CREATING CONTENT

Not all YouTube content is created by the masses—the innovators are quite active when it comes to making videos. By our estimates, the top 15% of creators generate 60% of the video content on the site. Our video creator curve showed that 40% of users don't record any video at all, while those who do record each contribute around seven videos a year.

When it comes to what children are uploading, the focus is on family (see "What do kids upload?" above). It's worth noting that these children aren't yet 13 years old. When they hit that milestone, friends and hobbies play a bigger role in their lives and they have more reason and opportunity to create content.

But why upload in the first place? Beyond it being fun (the second-most-popular answer), children just want to share the content with friends. They're not looking to become viral megastars. Usually, children either upload to be social or funny or to show off—traits seen in the Social and Self-Stamper archetypes.

A GLIMPSE AT THE FUTURE

In the past, video content had a different producer, distributor and consumer. But kids now sit across the whole curve—they've become all three. Future web-video successes will be more consumer-led and allow the consumer

to act as the producer and distributor of the new content. Professional producers, meanwhile, will also benefit from being able to observe video trends and create content based on what kids are enjoying online.

By being informed by children, and creating content tailored to specific archetypes, producers and IP owners will be able to deliver online video that's likely to succeed.

So, expect to see more IPs being born on YouTube. Really, it's already happening. *Annoying Orange* creator The Collective struck a deal with Cartoon Network, and the *Fred Figglehorn* web series has been turned into two feature-length films. Then there's Justin Bieber, who built his massive fanbase using the site. What these videos have going for them is that they started out as amateur content that was easily found and shared—attributes essential to creating an audience and making it big online. Being a cute mop-haired teen with a guitar can't hurt, either. □

Peter Robinson is head of research at UK-based Dubit. Through its research, game development and marketing divisions, Dubit helps IP owners extend their properties online, covering the process from audience research through to planning business models and producing cutting-edge virtual worlds. Check out www.dubitlimited.com for more info.

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